

1 this typed and then he wrote that in, because then he also
2 referred to it in his memo.

3 Q In any event, if the changes that are indicated by
4 the handwriting were agreed to, then the quit provision for
5 Dave Hicks wouldn't become operative until three years after
6 the date of this letter?

7 A That's correct.

8 Q In other words, Dave Hicks couldn't put the
9 company to the children until three years?

10 A Correct.

11 Q Let me refer you to number three, "Indemnification
12 and Contribution."

13 As I understand it, by this provision, if agreed
14 to, the children will indemnify Dave Hicks in connection
15 with any possible losses resulting from the letter of credit
16 that Dave put up for this transaction; is that right?

17 A That's correct. He had put up a letter of credit
18 in the amount of \$25,500 into escrow.

19 Q And I believe you earlier testified that this
20 provision ended up being acceptable to John because he
21 didn't feel like it was particularly onerous to give this
22 up?

23 A That is correct.

24 If you think of it this way, the letter of credit,
25 which was part of the escrow, this is the way John and I

1 looked at it, is it's part of the escrow, and it would have
2 been forfeited had the closing not taken place. And it also
3 outlived the closing by a year, we understand that, but the
4 point here is that the -- we felt that the real risk here of
5 losing that escrow deposit, him losing it and therefore us
6 being -- him being indemnified was a fact that if it didn't
7 close, and here we got this letter on March 30th, and we
8 were at that time pretty sure that closing was going to take
9 place, so the risk was very, very minimal here, and John was
10 willing to take that risk on behalf of his children.

11 Q Okay. Now, I can understand that as of the eve of
12 closing, March 30, 1994, you didn't think there was much
13 risk that the transaction in fact would not close.

14 Let me ask you this, though. You and John on
15 behalf of Pathfinder had participated in a number of other
16 various radio station acquisitions; is that right?

17 A A few. Yes.

18 Q Relative to those, even earlier in time, did you
19 ever feel like there was much risk that the Hicks
20 Broadcasting purchase of WRBR from Booth American was
21 unlikely to close?

22 A No. No, I didn't. I guess I always thought that
23 Hicks would close on it. I never thought that would be a
24 problem.

25 Q What was the basis for that expectation?

1 A Well, I mean, I guess Booth was anxious to sell,
2 and I knew that, and we had -- the entire entity itself and
3 ownership had been approved by counsel. I don't know.

4 There was no reason to think that it wouldn't. I don't
5 think it entered into anyone's mind that it wouldn't close.

6 Q Also in item three in this draft side letter is a
7 provision that relates to the guarantee to Booth.

8 As I understand your previous testimony, as part
9 of the transaction with Booth the members of Hicks
10 Broadcasting of Indiana were required to give a personal
11 guarantee; is that correct?

12 A Correct.

13 Q And the guarantee was in the amount of \$250,000?

14 A That was the total amount, yes.

15 Q What was the share of the majority member of this
16 guarantee?

17 A The majority member's share of that \$250,000 was
18 51 percent, which equated to approximately 127,000 and some
19 odd dollars of the 250. That was his limit on the -- his
20 upper limit on the guarantee.

21 Q Your understanding of the guarantee was that Dave
22 Hicks in no event would pay more than that amount, 51
23 percent of \$250,000?

24 A That was my understanding, and I believe that's --
25 that is the way it's written, to my knowledge.

1 Q And what was the minority members' share of the
2 guarantee personally?

3 A Their -- their share was also proportional to
4 their ownership in the company. So in total the three of
5 them could never -- would never have to put in more than 49
6 percent of the \$250,000, and that individually they had
7 16.333 percent of that.

8 Q And is it your understanding that there were no
9 circumstances under which the minority members would be
10 called on to put in more than their share, 49 percent of the
11 guarantee personally?

12 A No, that's -- I mean, yes, they would not -- that
13 was their limit, and it was specified right in the guarantee
14 what their dollar limit was, which was, again, it was 16.3
15 percent of \$250,000.

16 Q I believe you earlier testified that when this
17 proposal with respect to the guarantee came that the kids
18 essentially pay their portion of the guarantee first in the
19 even that the guarantee needed to be drawn up. That
20 proposal was viewed as acceptably by Mr. Dille; is that
21 right?

22 A You're talking about this part right here in the
23 side letter?

24 Q Yes, back to the side letter.

25 A Oh, it was acceptable although we had to read this

1 a few times. I mean, read it and think about it. I mean,
2 it was -- it came at the last minute, so yes, we had to
3 discuss whether John on behalf of his children wanted to
4 accept this or not. And it ended up that he was willing to
5 accept it because he -- if you think about it, the risk is
6 very low that the children would ever have to go first in
7 this.

8 Q Okay. Well, explain that to us. I don't think I
9 have never totally understood that.

10 A I'll try again. I have -- every time I do this it
11 seems like I put it a different way. And let's first
12 understand that the \$250,000 amount, this was providing for
13 the children to go first in the even the guarantee was
14 called. So the only time that would ever mean anything, the
15 only time this ever meant a thing was if the guaranteed
16 amount was under \$250,000 because if it was \$250,000, they
17 all shared equally in it.

18 Q Bob, let me interrupt for just one second.

19 Under what circumstances would Booth call in the
20 guarantee?

21 A Well, if a default on a payment had been made,
22 they could have called the guarantee. I mean, let's just
23 say that the first payment wouldn't have been made in
24 October '94. They could have done two things: called the
25 guarantee, in which case each member would have had to put

1 up their total share as specified in the guarantee, and they
2 could have, of course, taken the station back subject to
3 FCC's approving the transfer of their license, of course.

4 Q But as the creditor, they had the right to do both
5 of those things in the even that payments under the note
6 weren't made?

7 A Correct.

8 Q Okay, go ahead. Sorry.

9 A So I mean, at any point in this schedule if it had
10 defaulted, if the payment had not been made to Booth, they
11 could have exercised that guarantee.

12 Anything prior to, and if we'll at the note,
13 December 1997's payment, which was \$15,000, anything prior
14 to that, there would have been a balance left on the
15 schedule of \$250,000, anything prior to that, or up and to
16 and including December of '97. Therefore had they exercised
17 or called the guarantee any time prior to that, the members
18 would have shared in this guarantee proportionally.

19 It's only after that payment of December 1997 was
20 the balance ever to be lower, below \$250,000. Now, granted
21 at that point had they defaulted on the \$240,000 payment,
22 then Booth could have exercised the guarantee, and it's only
23 at that point the members would have shared in the -- the
24 children would have gone first on their limit, and then Dave
25 would have picked up the rest, which would have been a total

1 exposure there of \$5100. I mean, he would have picked up
2 everything of his shares except for \$5100. So --

3 Q Okay. Let me just raise an example.

4 JUDGE CHACHKIN: Let the witness finish. Go
5 ahead.

6 MR. GUZMAN: I apologize.

7 THE WITNESS: All I was going to add, though, is
8 if you get down to the balloon payment of \$240,000, and
9 you've already paid this money and you've got a station,
10 you're not going to let the station go in default either. I
11 mean, you're not going to let them exercise the guarantee.
12 You're going to go to the bank or you're going to do
13 something to come up with that money. In fact, that's what
14 happened. They ended up, you know, going to the bank and
15 borrowing the money to make that balloon payment.

16 That's the -- that's my explanation of it. I hope
17 it was understandable. And if it's not, I'd be happy to go
18 over it again.

19 Q Well, let me just ask you --

20 A I know I'll be going over it again. I'll be asked
21 again.

22 (Laughter.)

23 Q Let me just take a couple of example, make sure we
24 understand this.

25 There's a balloon payment of \$105,000, which needs

1 to be made in April of 1995, if I can see that far; is that
2 right?

3 A Yes. April 1, 1995.

4 Q All right. Now, in the event that Hicks
5 Broadcasting didn't have the \$105,000 to make that \$105,000
6 payment, I gather two things could have happened from
7 Booth's end. First, Booth could have declared default and
8 taken back the station.

9 A That's correct.

10 Q And, in addition --

11 A He probably would have done two things, though.

12 Q Right. And, in addition, they would have called
13 on the guarantee and if --

14 A Correct.

15 Q -- I've understood your explanation right, since
16 there is at that point quite a bit more than \$250,000 owed
17 from the note, the entire amount of the guarantee would have
18 been drawn upon by Booth?

19 A That's correct.

20 Q And so it really wouldn't have mattered who went
21 first in terms of contributing their share of the guarantee,
22 the end result would have been the same, \$250,000 personally
23 would have been paid by the members of Hicks Broadcasting?

24 A That's right, and each member would have paid
25 their share as indicated in the agreement -- in the

1 guarantee.

2 Q Okay.

3 A Their limit as indicated in the guarantee.

4 Q That same scenario holds true then until the last
5 note payment, the \$240,000 note payment?

6 A Yes, it does.

7 Q Okay. Let's move on and look at one quick
8 provision in the operating agreement, and that's Mass Media
9 Bureau Exhibit 3, and it begins on page 87.

10 Do you have that?

11 A Yes.

12 Q Let me refer you to Section 6.1, which is at page
13 92.

14 A Okay.

15 Q This is just a small point. There it explains how
16 it is that Hicks Broadcasting is to be managed.

17 A Okay.

18 Q Based on this provision, is there a need for board
19 members meetings?

20 A I haven't reviewed this in a long time, Mike, but
21 to my knowledge, there was no reason -- I mean, there was
22 nothing presented here that required board meetings, no.

23 Q Okay.

24 A But I haven't' read this in a long time.

25 Q Well, if you --

1 A But I'm sure that some point I looked at it.

2 Q Well, take just a minute and look at it.

3 (Witness reviews document.)

4 A I don't see anything that requires meetings, no.

5 Q Okay. Now, based on this provision, is there a
6 need to have members' votes before any significant action is
7 taken in connection with Hicks Broadcasting?

8 A No, that was -- the majority member could act
9 unilaterally.

10 Q Okay. We've been speaking a lot about the legal
11 documents that were drafted and finalized before the close
12 of the WRBR purchase. Let's talk a little bit about some of
13 the business-related activities that were taking place at
14 the same time frame.

15 Prior to closing did Hicks and Pathfinder -- let
16 me step back. Hicks was to assume the joint sales agreement
17 from Pathfinder upon the closing of this transaction; is
18 that right?

19 A That's correct. That was one of the assumed
20 documents in the purchase.

21 MR. SHOOK: Objection. Don't you mean Booth?

22 MR. GUZMAN: Yes, I think I stated that wrongly.
23 I'm going to step in the shoes of Booth with respect to the
24 JSA.

25 THE WITNESS: That is the way I took it.

1 MR. GUZMAN: Okay.

2 BY MR. GUZMAN:

3 Q Now, as a result of that, did Hicks and Pathfinder
4 begin to then discuss some integration of further
5 administrative functions?

6 A Yeah. I think -- I'm sure that discussions had
7 taken place fairly early on with Dave relating to some
8 additional savings that could result.

9 If you recall, I had already testified that I knew
10 that the proposal had been made to Booth relating to co-
11 location, and common general creditor. So I know that some
12 of those discussions had taken place with Dave. And, in
13 fact, I believe he intended -- certainly intended right away
14 to co-locate as soon as possible, and I know that it took
15 place right after closing, soon after closing.

16 Q All right. Now, before Pathfinder and Hicks
17 actually agreed to anything in writing, did either of those
18 two companies seek legal advice with regard to these
19 proposed integrations?

20 A Well, on some of the integrations, certainly. I
21 can't' recall on everything they did, but counsel was always
22 aware of what was going on. Now, what was -- so there were
23 specific things that were discussed with them, yes.

24 Q Okay.

25 A I don't know about everything.

1 MR. SHOOK: Your Honor, we would object to the way
2 that was characterized in terms of what counsel knew. We
3 would move to strike that portion of the testimony.

4 JUDGE CHACHKIN: On hearsay grounds?

5 MR. SHOOK: Yes, sir.

6 JUDGE CHACHKIN: Sustained.

7 BY MR. GUZMAN:

8 Q Let me refer you to Mass Media Bureau Exhibit No.
9 48.

10 A Okay.

11 Q Let's turn to the second page of that document,
12 which I believe you've previously testified is a memo that
13 you wrote to file on or about March 4, 1994.

14 A Yes. Yes.

15 Q And the memo refers immediately to Alan Campbell.
16 I take it at this point Alan Campbell -- well, let me just
17 ask you.

18 As you were discussing what you ended up
19 discussing with Alan Campbell, who was he representing as
20 you understood?

21 A In this particular case, I thought he was
22 representing Pathfinder. I guess, if I -- I guess, I
23 thought of, or maybe I didn't, there were some things that
24 were being discussed that are enumerated here, and I wanted
25 to make sure that we were getting -- that we got advice and

1 that we got counsel on doing these things, and that there
2 was no problem doing them. That's why the conversation took
3 place.

4 Now, I guess, I looked at this probably as a
5 Pathfinder -- he was acting on behalf of Pathfinder at that
6 time, but he could have very well acted on behalf of either
7 entity because these things affected both entities.

8 Q Well, were you aware that by this point in time he
9 was also representing Hicks Broadcasting?

10 A Yes. Yeah, much earlier than this.

11 Q Okay. Well, the first sentence mentions that you
12 discussed Alan Campbell whether Pathfinder could do the
13 accounting service for Hicks. Tell us as little bit about
14 that, please.

15 A I don't know if there is a lot to tell, Mike. I
16 mean, I talked to him about what I thought was the role that
17 Dave Hicks wanted us to play in doing the accounting for
18 him, keeping the books and records, filing reports; in other
19 words, being his -- handling all of those kind of business
20 things for him.

21 And I did talk -- and that's kind of, in general,
22 generally the way I talked to Alan about it. And he saw no
23 problem in that. He did recommend that we have an agreement
24 between the parties that discussed some of the things that
25 we talked about, and I did that. I complied with that by

1 writing the agreement, and asking Dave to sign it.

2 Q You mean Alan?

3 A I mean -- no.

4 Q Oh, pardon me.

5 A That agreement was signed by Dave, Dave Hicks. He
6 was the we had an agreement with.

7 Q You're right. I misspoke.

8 Well, we've looked at the accounting agreement
9 that's referenced in No. 1 before, so let's not do that
10 again.

11 At point two, it references Steve Kline being a
12 shared general manager between WLTA and WRBR. I take it
13 that Alan advised you on this point?

14 A Yes. Yes. He had a -- he had advised -- he had
15 really advised the parties. I mean, I know he knew about
16 this even before my memo. It wasn't just in this
17 conversation that that subject came up. But I wanted to put
18 it into this memo to memorialize that fact.

19 Q Okay. Point three is a reference to John writing
20 a memo stating that he's not going to participate in any
21 substantial matters regarding WRBR?

22 A Yes.

23 Q Do you know whether that memo was in fact written?

24 A Yes, I know that it was written.

25 Q Whose advice was it or what was the impetus for

1 this letter being written?

2 A Well, I mean, it was a known fact already that
3 John was not going to participate in the operations of WRBR.
4 I mean, it was known. I don't know. It was just a known
5 fact that he wasn't going to participate. It also came out,
6 I think, in his statement that he filed with the FCC.

7 But in addition to that, I don't -- I guess, it
8 came from Alan here, it's in this memo, that he suggested
9 that specific -- that specific reminder to Steve, to the
10 general manager, that he made, that John would not be
11 participating in the day-to-day activities of WRBR. In
12 fact, don't even consult on those matters to John Dille.

13 Q So it would be Alan's advice that John write such
14 a letter?

15 A Yes.

16 Q Point number four discusses the way that the WRBR
17 invoices should be approved and paid.

18 Could you explain that to us, please?

19 A Well, the invoices were approved by Steve for
20 payment. It's like no invoices that the business rule --
21 almost the rule, the cardinal rule is that an invoice
22 doesn't get paid unless the general manager approves it, so
23 that calls for that. Steve should also at the same time
24 copy Dave Hicks for approval. And then it basically called
25 for Dave then calling Steve if he had any problems with what

1 Steve had approved.

2 Q What kind of invoices are you referencing here?
3 Are these invoices of the joint selling entities or are
4 these all of the invoices of WRBR?

5 A I was thinking more -- certainly Steve's approval
6 has to be on all invoices for BYT and RBR. In this
7 particular reference, I was thinking about invoices that
8 relate strictly to WRBR.

9 The joint -- the agreements that -- the invoices
10 under the joint venture would not necessarily be sent to
11 Dave or would Steve ask Dave's approval on them, but
12 strictly ones related to WRBR, such as programming,
13 promotion, those kind of things.

14 Q Okay. Item five relates to a stamp that going to
15 be put on what I take it to be Pathfinder checks so that
16 people who received the checks would understand that the
17 checks were being written on behalf of Hicks Broadcasting;
18 is that right?

19 A That's correct. The accounts payable clerk was to
20 stamp that whenever she saw -- he or she saw the account
21 number was strictly an RBR, the account number being
22 charges, so she was supposed to put that stamp on, and I
23 think the majority of the time she did. There were
24 occasions when she didn't.

25 Q So you had discussed with Alan Campbell

1 specifically the fact that Pathfinder was going to be paying
2 bills on behalf of Hicks Broadcasting?

3 A Yes.

4 Q And I gather than Alan was alright with the
5 procedures that are memorialized here in item five?

6 A Yes.

7 Q Item six is pretty straightforward. No officer of
8 Pathfinder should be an officer or Hicks.

9 Whose handwriting is that above item six?

10 A That's Alan Campbell's.

11 Q Item number seven?

12 A He edited that and put those words in, added those
13 words to it.

14 Q Okay. When did he do that?

15 A Well, I believe it was -- since I sent this to him
16 for review on March 18th, it was very shortly after that
17 that I got -- I got this sent back to me or faxed to me and
18 a phone call. So very shortly after the 18th. I don't know
19 the -- a couple days.

20 Q All right. So you prepared this memo to file and
21 you sent it to Alan Campbell, asked him to review it; is
22 that right?

23 A Yes.

24 Q And then he did so, making these changes we've
25 noted in here, and thereby indicated his approval?

1 A Oh, absolutely. There was nothing in this memo
2 that he indicated was a problem.

3 Q Okay. Let's go on to item number seven. The
4 first item there relates to employee benefits.

5 Did Alan have any issue or advice with respect to
6 Hicks adopting the employee benefits of Pathfinder?

7 A Nothing that I recall. I don't recall him
8 singling out that for discussion, and it was in -- it was in
9 this memo. Then it was part of our discussion back on March
10 2nd, I think, and he saw this, and I don't recall any
11 problems with it.

12 Q The next item there relates to the fact that all
13 employees of Hicks, whether they were sales employees or
14 not, would then end up being on a payroll administered by
15 Pathfinder.

16 A That's right.

17 Q Did Alan have any particular advice or problem
18 with that issue?

19 A No, not really. He knew also - he didn't have any
20 problem as long as things were being charged properly; as
21 long as WRBR was paying for its things that related to it,
22 to RBR, and Pathfinder paid for things relating to
23 Pathfinder, he had no problems on any of this.

24 Q I believe you testified earlier that after you had
25 drafted up this memo and received review and approval of it

1 from Alan, that you sent this memo to other people within
2 the Pathfinder and the Hicks Broadcasting organizations; is
3 that right?

4 A Yes.

5 Q Who did you send it to?

6 A I sent it to Dave Hicks, John Dille, and to Steve
7 Kline.

8 Q As I read the memo, it embodies or memorializes a
9 number of agreements which apparently existed between
10 Pathfinder and Hicks to integrate some functions.

11 Were any of these agreements or understandings
12 ever reduced to writing other than in this memo?

13 A Well, the only one that was reduced to writing, I
14 think, was the accounting service agreement which was
15 intended to be very -- all encompassing, written by me,
16 intended to be.

17 Q Okay. Well, let's take a look at that. That's
18 Mass Media Bureau Exhibit 1, page 44. We've looked at this
19 before so I won't detain us too long, but you wrote this
20 memo?

21 A Yes, I did.

22 Q What did you mean when you wrote "Pathfinder
23 Communications Corporation will perform all accounting
24 functions for Hicks Broadcasting of Indiana"?

25 A Well, I meant this to be all accounting functions,

1 anything to do with accounting, data, data relating to Hicks
2 Broadcasting. It was meant to be, at least I thought that
3 the business office would handle a lot of the -- all the
4 things for WRBR that he would have to hire somebody to do
5 with respect to handling the accounting, issuing financial
6 statements, paying bills, paying their employees, paying or
7 making note payments; anything that he would have to hire
8 somebody to do with respect to those kind of things because
9 he didn't have anyone. He could hire us or he could hire
10 somebody else. And so it was meant to include -- to be very
11 encompassing.

12 Obviously, it should have and could have been
13 written differently, but it was -- it was what I thought was
14 adequate at the time.

15 Q Well, I guess you've testified earlier that you
16 had spoken to Dave Hicks about these services that
17 Pathfinder was going to provide?

18 A Yes.

19 Q And I think you've testified earlier too that a
20 CPA might, as part of ordinary course of duties, perform
21 these functions for a small company like Hicks Broadcasting?

22 A A small CPA firm would, yes. There are hundreds
23 of small CPA firms that would do this kind of work; I mean,
24 hundreds, thousands for small companies, for small
25 businesses, and that's what WRBR was, a small business.

1 Q Is there a particular reason that it makes sense
2 for Pathfinder to perform this function instead of an
3 independent CPA firm?

4 A Well, I think it made a lot of sense for a few
5 things. One is because of the joint venture there was
6 already a lot of bills being paid by Pathfinder. There was
7 already a lot of common employees. They were going to be
8 co-located, and there was going to be additional shared
9 things so the companies could save some money.

10 The infrastructure was already in place, meaning
11 the accounting system, the payroll system, the -- there was
12 already a financial statement being prepared for the joint
13 venture itself.

14 So from Hicks' standpoint, I mean, it made some
15 sense because I think he could get services done cheaper or
16 less expensive than if he hired somebody else. From
17 Pathfinder's standpoint, it did not take a lot of additional
18 time to do this additional -- what we were going to do
19 additional for WRBR.

20 When I say "additional," additional -- in addition
21 to what we were already doing with the joint venture. So we
22 could lay off some costs, although, you know, it's \$705.00 a
23 month at first and then raised to \$1,000 a month. And so it
24 made - it seemed to make sense, and it seemed to be a good
25 arrangement for both parties.

1 JUDGE CHACHKIN: How was the sum of \$705.00
2 arrived at?

3 THE WITNESS: The \$705.00, at that time it was --
4 I'm trying to explain here. The business office itself is
5 actually paid nothing, and that's including myself. It's
6 paid by Truth Publishing Company. And then those -- in an
7 attempt to charge each station that Pathfinder has, they
8 charge a fee to the station for accounting services, just an
9 intercompany type charge.

10 At that time that fee was supposed to equate to
11 what it would cost them, reasonably what would cost them to
12 go out and get the services. So that was a similar fee at
13 the time to what stations of Pathfinder were charging, other
14 stations of Pathfinder, and it was after doing this for
15 Hicks, after taking on this additional work and doing it, we
16 determined that really wasn't adequate. We were really
17 spending a little more time than Pathfinder would on one of
18 its stations, spending more time. So, therefore, the fee
19 was increased to compensate for that additional time.

20 JUDGE CHACHKIN: Well, was there actually a
21 breakdown of time and salaries for its employees, including
22 yourself? I mean, either the 705 or 1,000 dollar figure?

23 THE WITNESS: No, Your Honor. It was just an
24 estimate. Again, it didn't take an additional great amount
25 of time for the business to do this additional accounting

1 for WRBR, and thought that that was a fair price without
2 going into any scientific way of --

3 JUDGE CHACKIN: There certainly wasn't any
4 intention to make a profit?

5 THE WITNESS: No, but to lay off any costs. I
6 mean, I, frankly, think that -- there was no additional
7 staff added to do it, so therefore it actually reduced
8 Pathfinder's costs a little bit.

9 JUDGE CHACKIN: What about your salary? I assume
10 you earn a considerable salary as chief financial officer.
11 And you were spending time in connection with this rather
12 than spending time of --

13 THE WITNESS: I spent a little time, Your Honor.
14 I mean, I know we discussed this yesterday, but -- and I've
15 thought about since then, okay? My time spent on this -- I
16 mean, what you're seeing is my name on some -- after April
17 1, '94, you're seeing my name on transmittal letters and
18 stuff like that, but it would take me no time at all to
19 prepare. My time was very de minimis. I mean, it's a
20 couple hours a month. Other people are preparing these for
21 me. I don't prepare those notes. I don't prepare those
22 letters. My assistant prepares it. So my time is really
23 minimal in any given month.

24 Now, other people's time was spent on this, and
25 that's what the \$1,000 a month was supposed to compensate

1 for. Very little of my time, and I don't know --

2 JUDGE CHACHKIN: Well, probably all the contacts
3 with lawyers or Mr. Brown were with you personally. They
4 weren't with --

5 THE WITNESS: Excuse me.

6 JUDGE CHACHKIN: -- employees under you.

7 THE WITNESS: Excuse me, Your Honor. You're
8 right, but let me put that into perspective, and I'm really
9 trying to because I think you have to look at it as of April
10 1, '94. I looked at my role, my role as an independent
11 contractor for Hicks Broadcasting Company.

12 Prior to April 1st, I was looking at the
13 agreements on behalf of the children. I wasn't looking
14 at -- at that time I was looking at these agreements on
15 behalf of the children. John had asked me to. They had the
16 debt. That had nothing to do with these accounting services
17 at that point, and I think you really have to look at those
18 separately.

19 Now, after that, you see my name on documents
20 after that, they relate to my role as an independent
21 contractor.

22 JUDGE CHACHKIN: You entered into a separate
23 contract with Hicks?

24 THE WITNESS: No, under this agreement. I looked
25 at --

1 JUDGE CHACHKIN: This agreement doesn't make --
2 doesn't deal with you personally --

3 THE WITNESS: No, no.

4 JUDGE CHACHKIN: -- as it does with the company.

5 THE WITNESS: No, no. I mean, right, but I looked
6 at our -- the business office and myself, which I'm a part
7 of, as being an independent contractor to Hicks
8 Broadcasting, and I don't -- that is the way it was. I
9 mean, we were -- in that role from here on we were an
10 independent contractor.

11 Now, we were also a part of the joint venture, but
12 that's different than this role. And if you make -- that
13 distinction is necessary, Your Honor, because prior to that,
14 yes, I did spend a considerable amount of time looking at
15 documents on behalf of the children and the operating
16 agreement and so on and so forth. But there is a
17 substantial difference. After that my time was not that
18 much.

19 JUDGE CHACHKIN: You did attend meetings
20 presumably.

21 THE WITNESS: That I did. I attended -- there was
22 only -- when you say "attended meetings," I think there has
23 been a total of four, three or four, in four and a half
24 years. And we're talking at that time two or three hours,
25 but that's over a four-and-a-half-year period.

1 I guess I wanted to leave the impression because I
2 think you might have the wrong impression. You see my name
3 on these documents, but it doesn't take me -- even squiggle.

4 Let me explain one other thing, if I may. My
5 squiggle is on attorney bills only because the accounting
6 department wouldn't pay them without my squiggle. It
7 doesn't mean that they weren't approved by Dave Hicks, the
8 payments. All the other bills that you haven't seen here, I
9 mean, there are bills such as all the programming invoices,
10 all the joint -- all the invoices under the joint venture,
11 all the engineering invoices, all the other invoices, I
12 don't look at those. I don't have any squiggles on those.
13 I don't even get involved in them. They go right from Steve
14 to accounts payable for payment.

15 So I know -- I just wanted to explain it more to
16 you.

17 JUDGE CHACHKIN: I assume you haven't served as an
18 independent contractor for any other non-Pathfinder station
19 and performed the similar services?

20 I'm talking about similar to this accounting
21 agreement.

22 THE WITNESS: Right. The only time -- we have
23 done it for awhile when some ownership changed, meaning John
24 was involved and then he wasn't involved for awhile, then we
25 continued in that for a little while afterwards. And in

1 addition, we did it for another company, very similar to
2 this for another company that we already testified that it
3 was a 50 percent shareholder in.

4 Other than that, no, but -- but we haven't been
5 co-located with another company. We haven't been in the
6 same building with another company. It hasn't presented
7 itself in quite this manner.

8 JUDGE CHACHKIN: All right. Go ahead, counsel.

9 BY MR. GUZMAN:

10 Q Let me refer you to Mass Media Bureau Exhibit 56,
11 page 3. On page 3, this is a letter that you've looked at
12 before. Let me call your attention to the address, Mr.
13 Vince Ford, WRBR(FM).

14 As of this date, March 11, 1993, what was Vince
15 Ford's capacity and for whom was he working?

16 A He was a general manager of WRBR working for Booth
17 American.

18 Q Okay. Now, we've had some confusion about this
19 subject before. When was Steve Kline hired to be the
20 general manager of WLTA, the Pathfinder station?

21 A Some time in October, October 1993.

22 Q And was Steve also hired for the other function or
23 capacity at that same time?

24 A Yes, he became the general manager of the joint
25 venture.

1 Q Now, who hired him to serve in these two roles?

2 A John Dille hired him.

3 Q All right. In the fall of 1993, was Steve Kline

4 the general manager of the Booth station, WRBR?

5 A No. Vince Ford was.

6 Q Let me refer you to some personal records to
7 Pathfinder Exhibit No. 70.

8 A Excuse me. I don't believe I have that binder, do
9 I?

10 Q The Pathfinder binder?

11 A Yes.

12 To which one?

13 Q Exhibit No. 70.

14 A Okay.

15 Q Now, do you recognize this first page?

16 A Yes. This is a document that is first set up when
17 a new employee starts and becomes -- and he goes on the
18 payroll.

19 Q Does it show us when Steve Kline was first hired
20 for WLTA?

21 A Yes. October 18, 1993.

22 Q And what entity was being charged for Mr. Kline's
23 salary at this time?

24 A At that time it was WLTA, and that's designated by
25 that account number 363.50.

1 Q All right. Let's turn to the second page of this
2 exhibit.

3 A Okay.

4 Q Do you recognize this page?

5 A Yes. This is a copy of the general ledger for
6 Pathfinder, and, in particular, WLTA. It's just one page
7 out of the general ledger for the month of March, and you
8 can tell it's Pathfinder because you'll see the code 005.
9 That five is a company code for Pathfinder.

10 Q Okay. And how can you tell that it relates to
11 WLTA?

12 A Well, if you look at past the 005 is a 003-63, and
13 the 363 designates the WLTA division.

14 Q This is over on the left-hand side?

15 A Left side. Yes, sir.

16 Q Those numbers 005, 003-63, and then it goes on?

17 A Yes.

18 Q Okay. Is there an entry on this page of the
19 general ledger that relates to Steve Kline's salary?

20 A Yes. If you'll look at account 36350, that's the
21 payroll.

22 Q It's about half-way down the page?

23 A Pardon?

24 Q About half-way down the page?

25 A Yes, about half-way down the page. That's the

1 administrative payroll for WLTA. Please note the \$5,000 is
2 charged there from what's called the executive payroll
3 summary. That is what Steve was paid in that month of
4 March.

5 And I might mention there is one other entry on
6 here that I'd like to bring to your attention. If you can
7 follow that account on down, it continues down at the bottom
8 of the page. You'll see 36350 continuing. You'll notice
9 what's called accrued administrative expense, \$1,000. That
10 is -- that was an accrual that was being made to accrue for
11 Steve's bonus, assuming and if he got one. Rather than
12 expense his bonus if and when he got one, all in the month
13 in which he got paid, as an accounting practice you would
14 accrue that ratively throughout the year so that it didn't
15 hit the month all at once.

16 So at that point \$5,000 was being paid and \$1,000
17 was being accrued on what might be an anticipated bonus at
18 some time.

19 Q Okay. So if I'm understanding this page from the
20 general ledger of WLTA, or Pathfinder general ledger
21 relating to WLTA, shows us that all of Steve Kline's salary,
22 base and bonus, was being allocated to WLTA as of March
23 1994?

24 A Yes, sir.

25 Q Let's turn to the next page. Do you recognize